



31 January 2019

## 3i Group plc FY2019 Q3 performance update

### Another good quarter for 3i despite market volatility

- Increase in NAV per share to **802 pence** (30 September 2018: 776 pence) and total return of **13.9%** for the nine months to 31 December 2018 driven by good growth in the quarter from Action, 3i Infrastructure plc ("3iN"), Aspen Pumps and Audley Travel
- Completed the refinancing of Aspen Pumps which, together with the distribution from Audley Travel, returned cash of £74 million to 3i. In addition, announced the sale of OneMed on 18 January 2019, with expected realisation proceeds of c.£100 million
- Announced a €56 million further investment in Hans Anders to support its acquisition of 'eyes+more' and completed four bolt-on acquisitions in Aspen Pumps, Cirtec Medical and Royal Sanders
- Strong performance from 3iN continued with a further 6% increase in its share price

### Simon Borrows, Chief Executive, commented:

"This was another good quarter for 3i, during a period of significant market volatility. Our Private Equity portfolio performed well, with Action, Aspen Pumps and Audley Travel generating good growth, and 3iN continued its strong run. Our balance sheet is well funded but we remain cautious about the pricing of private investments in the current environment and have continued to focus on bolt-on acquisitions. As we approach the close to our financial year we remain confident that our diversified portfolio is well positioned to deliver further good growth and withstand market turbulence in these uncertain political and economic times."

### Private Equity

#### Portfolio performance

The Private Equity portfolio generated solid returns in the quarter. Action finished the year strongly with an excellent December contributing to revenue growth of 23% and very good cashflow for the year. With the stabilisation of supply chain performance in France in the final months of 2018, French like-for-like sales growth improved significantly in the December trading period. The new distribution centre at Belleville, near Lyon, has now opened and is delivering to its first French stores and the new DC at Peine in Germany will commence operations in late February. Construction of the new DC at Osla in Poland is well underway. Action opened 230 net new stores in the year and will announce its 2018 results in March 2019.

We continue to see good earnings growth across the portfolio more generally, with assets such as AES, Audley Travel, Aspen Pumps, Formel D, ICE and Royal Sanders performing well. Our buy-and-build strategy for assets such as Cirtec Medical and Ponroy Santé also generated good earnings growth. However WP, our international supplier of plastic packaging solutions, incurred higher expenses in the quarter due to increased resin costs and negative foreign exchange movements.

Equity markets were particularly volatile this quarter, with the FTSE All-share falling 11% and the STOXX Europe 600 falling 12%. Our long standing policy of adjusting the multiples we use to value our unquoted portfolio to take account of longer term sector averages and other factors has helped to mitigate the impact of weak markets. Basic-Fit's share price declined by 12% in the quarter. The combined impact of the decline in Basic-Fit's share price and the reductions in multiples was c.£115 million in the quarter.

### Private Equity investments

We continue to see some interesting investment opportunities but we remain disciplined on price and continue to focus on acquisitions for our portfolio companies. In December 2018, we announced Hans Anders' acquisition of 'eyes + more'. To support Hans Anders' investment, 3i invested €56 million in January 2019. In addition, and without requiring funding from 3i, Cirtec Medical completed the acquisitions of Metrigraphics and Cactus Semiconductor, Aspen Pumps acquired Advanced Engineering and Royal Sanders completed its acquisition of McBride's European personal care liquids business.

### Private Equity realisations

We generated £74 million of cash from Aspen Pumps and Audley Travel, £18 million of which was recognised as cash income and the remainder as realisation proceeds.

Private Equity	Realisation proceeds £m
Aspen Pumps	48
Audley Travel	8
Other	2
<b>Total Q3 FY2019 realised proceeds</b>	<b>58</b>
H1 FY2019 realised proceeds	1,052
<b>Total realised proceeds as at 31 December 2018</b>	<b>1,110</b>
Scandlines reinvestment	(529)
<b>Total realised proceeds, net of the Scandlines reinvestment, as at 31 December 2018</b>	<b>581</b>

In January 2019, we announced the sale of OneMed, one of the last investments in Eurofund V, for proceeds of c.£100 million. At 31 December 2018, OneMed was held on an imminent sales basis and valued at £100 million, compared to its 30 September 2018 valuation of £51 million.

### Infrastructure

The Infrastructure business had another good quarter. Our investment in 3iN performed very strongly as its share price increased by 6% to 258.5 pence due to a strong set of half-year results and a well positioned portfolio. This generated unrealised value growth of £39 million for 3i, in addition to dividend income of £12 million.

The infrastructure market remains active and our Infrastructure team is working on a pipeline of interesting investment opportunities in Europe and North America.

### Total return and NAV position

We recognised a £57 million gain on foreign exchange in the quarter, as both the US dollar and euro strengthened against sterling. Based on the balance sheet at 31 December 2018, a 1% movement in the euro and US dollar would result in a total return movement of £43 million and £11 million respectively. The diluted NAV per share increased to 802 pence (30 September 2018: 776 pence) or 787 pence after deducting the 15 pence per share interim FY2019 dividend, which was paid on 9 January 2019.

## Top 10 investments by value at 31 December 2018

	Valuation basis	Valuation currency	Valuation Sep-18 £m	Valuation Dec-18 £m	Activity in the quarter
<b>Action</b>	Earnings	EUR	2,381	2,540	
<b>3iN</b>	Quoted	GBP	659	698	Accrued a £12 million FY2019 interim dividend
<b>Scandlines</b>	DCF	EUR	521	529	Received a £6 million dividend
<b>Audley Travel</b>	Earnings	GBP	258	261	Distributed £25 million of cash to 3i
<b>Cirtec Medical</b>	Earnings	USD	239	252	Acquired Cactus Semiconductor and Metrigraphics
<b>Q Holding</b>	Earnings	USD	239	242	
<b>WP</b>	Earnings	EUR	259	241	
<b>Basic-Fit</b>	Quoted	EUR	256	228	
<b>Hans Anders</b>	Earnings	EUR	203	198	
<b>Smarte Carte</b>	DCF	USD	180	186	

The 10 investments in this table comprise 73% (30 September 2018: 73%) of the total Proprietary Capital portfolio value of £7,320 million (30 September 2018: £7,119 million).

### Balance sheet

At 31 December 2018 net cash was £628 million. The 15 pence FY2019 interim dividend of £145 million was paid on 9 January 2019.

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### Notes

- Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 31 December 2018 in this update have been calculated at a currency exchange rate of €1.1152:£1 and \$1.2753:£1 respectively. At 31 December 2018, 62% of the Group's net assets were in euro and 14% were in US dollar.
- At 31 December 2018 3i had 973 million diluted shares.
- Action was valued using a post discount run-rate EBITDA multiple of 16.5x based on its run-rate earnings to 31 December 2018.

### For further information, please contact:

Silvia Santoro  
Group Investor Relations Director  
Tel: 020 7975 3258

Kathryn van der Kroft  
Communications Director  
Tel: 020 7975 3021

## About 3i Group

3i is a leading international investment manager focused on mid-market Private Equity and Infrastructure. Our core investment markets are northern Europe and North America. For further information, please visit: [www.3i.com](http://www.3i.com).

All statements in this performance update relate to the three month period ended 31 December 2018 unless otherwise stated. The financial information is unaudited and is presented on 3i's non-GAAP Investment basis in order to provide users with the most appropriate description of the drivers of 3i's performance. Net asset value ("NAV") and total return are the same on the Investment basis and on an IFRS basis. Details of the differences between 3i's consolidated financial statements prepared on an IFRS basis and under the Investment basis are provided in the 2018 Annual report and accounts. There have been no material changes to the financial position of 3i from the end of this quarter to the date of this announcement.